



DECLASSIFIED *Libya (R)*
Department of State

TELEGRAM

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to Pet 14

(397)

SECRET 697

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46 52
ACTION AF-05

INFO OCT-01 SS-20 E-04 H-01 L-02 FM-03 NSC-10 NSCE-00
INR-07 CIAE-00 NSAE-00 P-01 PRS-01 USIA-04 OEP-01
EUR-12 NEA-08 ARA-11 RSR-01 RSC-01 /093 W
028436

RI 081315Z DEC 70
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 2921
INFO AMEMBASSY TRIPOLI
USINT ALGIERS
AMEMBASSY BEIRUT
AMCONSUL BENGHAZI
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY VIENNA

DEPARTMENT OF STATE A/CDC/MR	
REVIEWED BY <u>CJ</u>	DATE <u>8/7/81</u>
RDS ☐ or XDS ☐ EXT. DATE _____	
TS AUTH. _____ REASON(S) _____	
ENDORSE EXISTING MARKINGS ☐	
DECLASSIFIED ☒ RELEASABLE ☒	
RELEASE DENIED ☐	
PA or FOI EXEMPTIONS _____	

S E C R E T TEHRAN 5284

LIMDIS

REF: TRIPOLI 2523

1. REFTEL IS THOUGHTFUL ANALYSIS OF LIBYAN OIL SITUATION AND ITS POSSIBLE EFFECT ON WORLD OIL SUPPLY AND PRICE PATTERN FOLLOWING LIBYAN PRICE SETTLEMENT AND RESULTANT SERIES PRICE AGREEMENTS WITH OTHER PRODUCER NATIONS. WE AGREE THAT REVIEW OF NEW SITUATION NEEDED.
2. HOWEVER, WE HAVE SOME QUESTIONS RE TRIPOLI VIEWS ON WHICH COMMENTS ADDRESSEES WELCOMED. FIRST, IT HAS BEEN LONG OBVIOUS HERE THAT IRAN, AND APPARENTLY OTHER PERSIAN GULF PRODUCER NATIONS, MUST SEEK TO ACHIEVE MAXIMUM INCOME FROM OIL RESOURCES TO MEET

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RAPIDLY ACCELERATING ECONOMIC, SOCIAL AND MILITARY NEEDS. IN ABSENCE PREMIUM CRUDES OR NEARBY CAPTIVE MARKETS, IRAN, AND AT LEAST SOME OTHER GULF PRODUCERS, CANNOT AGREE WITH LIBYAN AND VENEZUELAN DESIRE RESTRICT PRODUCTION IN ORDER FORCE PRICE INCREASES. (WE UNDERSTAND VENEZUELA AND LIBYA CONCERNED RE STATUS OF THEIR RESERVOIRS WHICH MAY EXPLAIN THEIR EMPHASIS ON LIMITATION RATHER THAN INCREASED PRODUCTION.) IN OUR VIEW FINANCIAL PRESSURES ON GULF NATIONS LIKELY TO CONTINUE FOR FORESEEABLE FUTURE AND THEIR DESIRE COMBINE MAXIMUM PRODUCTION WITH HIGHEST POSSIBLE PRICES WILL ALSO PERSIST. IN OTHER WORDS, IRAN AND AT LEAST SOME OTHERS WILL SEEK BEST OF BOTH WORLDS, BUT PROBABLY WOULD NOT OPT FOR ONE APPROACH TO INCREASE INCOME OVER THE OTHER. IN IRAN, GOI HAS CHOSEN TO SEEK ADDITIONAL REVENUE FROM PRODUCTION INCREASES FIRST IN ORDER TO KEEP PRICE POSITION

IRANIAN OIL COMPETITIVE OTHER GULF OILS. IN THIS CONNECTION, GOI REALIZED (AS DID CONSORTIUM) THAT RECENT LIBYAN SETTLEMENT BOUND TO TOUCH OFF WORLD-WIDE RISE IN OIL PRICES, AND RESOLVED IRAN WOULD BE FIRST IN LINE. HENCE GOI HARD LINE ON PRICES IN LAST ROUND CONSORTIUM NEGOTIATION FUNDAMENTALLY CONSISTENT WITH PAST POSITION.

3. WE UNDERSTAND THAT THE TENTATIVE VIEW IN WASHINGTON AND ELSEWHERE IS THAT NORMAL TANKER AVAILABILITY COULD OCCUR SOMETIME IN 1971. THIS WOULD ONCE AGAIN GIVE INTERNATIONAL OIL COMPANIES ABILITY, ALBEIT WITH CONSIDERABLE STRAIN, TO REPLACE OIL NO LONGER AVAILABLE FROM ONE SOURCE. WE CONSIDER THAT DISAGREEMENT ON PRODUCTION, AND URGENT CONTINUING NEED TO INCREASE REVENUES (ABOVE) LIKELY FORESTALL SIMULTANEOUS RESTRICTION ON PRODUCTION BY SEVERAL MAJOR PRODUCING NATIONS WHICH WOULD VERY MUCH EXCEED COMPANIES' ABILITY SUPPLY OILS.

4. QUESTION REMAINS OF POSSIBILITY CONTINUED REPETITIONS OF RECENT LIBYAN

ACTION WILL LEAD TO CONSTANT SPIRAL WORLD OIL PRICES. WE BELIEVE THAT, SHOULD LIBYAN PRICE VICTORY BE REPEATED, GOI WOULD PROBABLY FOLLOW LIBYAN PRICE LEAD ONLY PARTIALLY OR NOT AT ALL IN RETURN FOR GUARANTEES OF GREATLY INCREASED PRODUCTION AND OFF-TAKE BY CONSORTIUM.

WE PARTICULARLY INTERESTED VIEWS KUWAIT AND JIDDA AS TO

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WHETHER SAG AND GOK LIKELY BEHAVE SIMILARLY.
MACARTHUR.

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